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No. 98-290

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1998

MARLBORO FOOTWORKS, LTD., LAURENCE D. KOPLAN, STEVEN GOLDBERG,

*Petitioners,*

v.

AEROGROUP INTERNATIONAL, INC.,

*Respondent.*

*On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit*

## RESPONDENT'S BRIEF IN OPPOSITION

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## RESPONDENT'S STATEMENT OF THE QUESTIONS PRESENTED

Respondent, Aerogroup International ("Aerogroup"), respectfully submits that this case does not present any relevant question for review as defined in Sup. Ct. R. 10.

## LIST OF PARTIES AND CORPORATE AFFILIATES

Aerogroup is a privately-owned corporation and has no parent company. All of Aerogroup's nonwholly owned subsidiaries are listed below.

Aerosoles -- Long Island, LLC

Aerosoles -- Southwest, LLC

Aerosoles -- West Side, LLC

Catalog Merchant -- West Side, LLC

North California Footwear, LC

Street Scene Retail Holdings, Inc.

Street Scene Shoes of Kansas, Inc.

Street Scene Shoes of Omaha, Inc.

Street Scene Shoes of Oak Park, Inc.

Street Scene Shoes of Springfield, Inc.

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Aerogroup respectfully opposes Marlboro's Petition for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

## STATEMENT OF THE CASE

Marlboro seeks review of an unpublished opinion of the United States Court of Appeals for the Federal Circuit that affirmed the lower court's exercise of extraterritorial jurisdiction. There are, however, no compelling reasons to review the Federal Circuit's decision: both the Federal Circuit and the District Court properly stated and properly applied well-settled precedent, and neither court took any action in conflict with the precedent of this Court or of the Second Circuit.

In an attempt to induce this Court to grant a writ of certiorari, Marlboro relies on buzz words like "conflict" and "legal error," even though there is no relevant conflict among the Circuits, and the courts below committed no such error in their analysis of Marlboro's "Canadian" activities. Moreover, Marlboro fails to address all of the grounds on which the Federal Circuit affirmed the lower court's decision, thereby failing to present a proper case or controversy as required under Article III of the United States Constitution.

Marlboro's Petition is nothing more than an attempt to reargue the facts of this case in the hope of overturning two previous court decisions. Aerogroup respectfully submits that Marlboro's Petition should be denied.

## A. Factual Background

### 1. Aerogroup's AEROSOLE Trademark

Since 1987, Aerogroup has sold "comfort fashion" shoes in the United States and Canada under the AEROSOLE trademark. Sales of genuine AEROSOLE shoes have been phenomenal: Aerogroup sold more than $500 million (retail) worth of AEROSOLES in the United States from 1993-1996, and more than $100 million (retail) worth of AEROSOLES in Canada since 1991.

Aerogroup's distinctive AEROSOLE trademark comprises the "Aerosole" name written on an angle in stylized capital letters, and a twisting "swoosh" underlining. Aerogroup uses its AEROSOLE logo on "sock liner labels" (labels attached to the inside of shoes), on shoe boxes, and in advertising and promotional materials. The AEROSOLE mark has been registered in the United States since 1993 and in Canada since 1994.

### 2. Marlboro's "Knock-Off" Business

Marlboro operates in the United States as a buying agent for low-end shoe retailers who wish to sell copies of popular shoe designs. To facilitate its customers' sales of these low-quality "knock-offs," Marlboro alerts retailers as to popular new designs (such as AEROSOLES), designs copies of these shoes, and arranges for the product to be manufactured off-shore and to be shipped to retailers for ultimate sale. Beginning in 1994, Marlboro has engaged in an active campaign to knock off Aerogroup's popular AEROSOLE shoes.

### 3. Marlboro Intentionally Copied Aerogroup's Distinctive AEROSOLE Trademark

By 1995 Marlboro began taking steps to make its imitations substantially identical to genuine AEROSOLE shoes.

Specifically, Marlboro decided that it could increase sales of its AEROSOLE "knock-offs" by labeling each of its shoes and shoe boxes with a logo that consumers were likely to confuse with Aerogroup's AEROSOLE trademark and distinctive trade dress.

As found by the District Court, it was *Marlboro*—and not Marlboro's customers—who designed the infringing logos at issue in this litigation. Of key importance is that fact that all of Marlboro's design activities took place in the United States and used the instrumentalities of American commerce.

The result of Marlboro's copying efforts was its infringing "Air Supply" label and shoe boxes. When designing this material, Marlboro imitated each and every aspect of Aerogroup's AEROSOLE trademark and trade dress, right down to the style, size, and placement of the logo lettering and the twisting "swoosh" underlining. Indeed, the District Court expressly found that Marlboro *intentionally copied* Aerogroup's AEROSOLE trademark and trade dress.

**4. Marlboro Used the Instrumentalities of American Commerce to Facilitate the Sale of Infringing Product in Canada**

Contrary to the impression Marlboro attempts to create in its Petition, Marlboro's campaign to produce and market an infringing product for sale in the Canadian market was directed and facilitated almost *exclusively* from the United States. Marlboro frequently met with Canadian customers in the United States, showed its infringing products to Canadian customers in the United States, and solicited orders from Canadian customers in the United States. In fact, but for Marlboro's activities in this country the infringing product at issue in this litigation would never have been produced for the Canadian market.

Indeed, after it designed its infringing logo and trade dress, Marlboro caused a number of shoe boxes that used the infringing "Air Supply" logo to be manufactured abroad and to be shipped into the United States. Marlboro then displayed this material within the United States to prospective customers—both American and Canadian—in an effort to increase infringing sales both domestically and in Canada.

One such effort occurred at a 1995 trade show in Las Vegas, Nevada, where Marlboro solicited sales for its infringing "Air Supply" shoes by touting the product's ability to confuse consumers. It was at this U.S. trade show that Marlboro first showed its infringing shoes to Bata Industries ("Bata"), a large Canadian retailer that soon became Marlboro's largest Canadian outlet for infringing product. Shortly after the Las Vegas show, Bata placed a significant order with Marlboro for its AEROSOLE "knock-offs" and subsequently canceled all pending orders for *genuine* AEROSOLES from Aerogroup.

Moreover, Marlboro's use of the instrumentalities of American commerce did not end once it received an order from a Canadian customer. Rather, when Marlboro received an order from a Canadian retailer for an infringing product, it was Marlboro who—again, operating from its United States office—contacted the Chinese factory's representative *on behalf of the Canadian customer* and arranged for the production of the infringing product. Marlboro also required that a percentage of any money paid by its Canadian customers to the factory be sent to Marlboro in the United States

By the time Aerogroup filed the present lawsuit, Marlboro had already caused more than 50,000 pair of infringing shoes to be sold in Canada with a value in excess of $500,000 (wholesale). Moreover, Marlboro had hopes that just one of its Canadian customers alone (Bata) could sell more than two million dollars' (wholesale) worth of infringing shoes each

year. Indeed, but for Aerogroup's prompt action in bringing suit, Marlboro's sales to its Canadian customers would have been much greater.

### 5. Marlboro's Effect on Aerogroup's Canadian Operations

Despite Aerogroup's prompt action, Marlboro's infringing sales still caused Aerogroup significant business harm. Marlboro's sales caused Aerogroup, at least in part, to lose its largest Canadian customer—a customer who previously had been selling approximately three million dollars (retail) worth of genuine AEROSOLES each year. Marlboro's selling of cheap, imitation "Aerosoles" also harmed Aerogroup's reputation in Canada as a provider of high-quality merchandise.[1]

## B. Decisions Below

### 1. The District Court

The District Court found that the packaging and trade dress Marlboro used on its shoes in Canada were likely to confuse consumers, and that Marlboro had *intentionally* infringed Aerogroup's intellectual property rights when it designed its stylized "Air Supply" logo. *Aerogroup Int'l v. Marlboro Footworks Ltd.*, 1996 WL 929597 at *22 (S.D.N.Y.). Moreover, the court found that Marlboro's infringing activities were conducted almost exclusively in the United States, regardless of whether Marlboro's shoes were to be sold in the United States or in Canada. *Aerogroup Int'l v. Marlboro Footworks Ltd.*, 955 F. Supp. 220, 229-230 (S.D.N.Y. 1997).

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[1] The District Court noted that "*[t]o the extent* Aerogroup [sold 'private label' shoes] in Canada, [this practice] undercuts any claim of injury by others to its reputation." *Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 955 F. Supp. 220, 229 (S.D.N.Y. 1997) (emphasis added). As Aerogroup does not sell "private label" shoes in Canada, however, the "extent" by which this damage has been undercut is exactly zero.

Having concluded that Marlboro's shoes infringed Aerogroup's registered AEROSOLE trademark and distinctive trade dress, the lower court then turned to Marlboro's claim that sales to its Canadian customers were beyond the court's reach. The Court analyzed the issue in light of two Second Circuit decisions governing the extraterritorial application of the Lanham Act—namely, *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956) and *George W. Luft Co. v. Zande Cosmetic Co.*, 142 F.2d 536 (2d Cir. 1944).

Based on the evidence before it, the court made a number of factual findings that were essential to the application of *Vanity Fair* to the present case. Specifically, the court found that Marlboro was a United States citizen, that its conduct had a substantial effect on U.S. commerce, and that Marlboro had not established any trademark rights under Canadian law. *See Aerogroup*, 955 F. Supp. at 230. The lower court's findings were also sufficient to establish jurisdiction under *Luft* in that both Marlboro and Aerogroup were also doing business in Canada. *See id.* Consequently, the court held that the Lanham Act applied to Marlboro's sales in Canada.[2] *Id.*

**2. The Court of Appeals**

Marlboro did not appeal the lower court's findings that the packaging and trade dress Marlboro used on its shoes sold in Canada were likely to confuse consumers or that Marlboro had intentionally infringed Aerogroup's intellectual property rights when it designed its stylized "Air Supply" logo. These issues, therefore, are not in dispute. *See generally Aerogroup Int'l v. Marlboro Footworks Ltd.*, 1998 WL 169251 (Fed. Cir.). Instead, Marlboro asked the Court of Appeals for the Federal

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[2] Aerogroup notes that although the lower court also rendered a decision regarding Bata (to which Marlboro refers in its Petition), that decision was not ripe for appeal.

Circuit to review the lower court's conclusion that the Lanham Act could be applied to Marlboro's sales to its Canadian customers.

As to the District Court's underlying findings of fact, the Federal Circuit concluded that the lower court's findings were not clearly erroneous. *Id.* at *3. Accordingly, the court affirmed the lower court's finding that Marlboro's Canadian sales had a substantial effect on U.S. commerce and that Marlboro had not established any trademark rights in Canada. *Id.*

Given those factual findings, the Federal Circuit then concluded that the lower court's extraterritorial application of the Lanham Act using the *Vanity Fair* analysis was proper. *Id.* In addition, the Court of Appeals also concluded that the lower court's exercise of jurisdiction was consistent with the Second Circuit's decision in *Luft*. *Id.*

## REASONS THE PETITION SHOULD BE DENIED

The Petition should be denied because review on a writ of certiorari could not lead to a reversal of the court below. Because the Petition fails to address one of the alternate grounds on which the Court of Appeals for the Federal Circuit affirmed the lower court's decision, the decision would stand affirmed regardless of the result of review by this Court.

Marlboro's Petition should also be denied because it fails to offer any compelling reason why this Court should exercise its discretion to review this matter. Instead, Marlboro trumpets a "conflict" among the circuits that does not touch on the merits of this case, argues that almost *every* court since 1952 has misapplied this Court's precedent, and asks this Court to re-evaluate the lower courts' factual findings.

Although Marlboro has taken an shotgun approach to jurisprudence, not a single pellet scores a hit. The Federal Circuit properly stated and applied Second Circuit law and the precedent of this Court relating to the jurisdictional issues of this case. Marlboro simply disagrees with the result.

### A. Review on a Writ of Certiorari Could Not Lead to a Reversal of the Decision Below

The Court of Appeals for the Federal Circuit affirmed the lower court's exercise of extraterritorial jurisdiction on two *separate* grounds. The Federal Circuit concluded that "the [district] court's extraterritorial application of the Lanham Act using the *Vanity Fair Mills* analysis was proper" *and* that "[t]his result is consistent with [the Second Circuit's decision in] *George W. Luft Co. v. Zande Cosmetic Co. . . .*" *Aerogroup*, 1998 WL 169251 at *3.

Marlboro does not address (or even cite) the *Luft* decision in its Petition. Instead, the Federal Circuit's conclusion

that the lower court could properly exercise jurisdiction under *Luft* remains unchallenged.

This ruling is fatal to Marlboro's appeal because *Luft* provides an alternate basis to *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), and its progeny for determining the propriety of extraterritorial application of the Lanham Act. *Totalplan Corp. of America v. Colborne*, 14 F.3d 824, 831 (2d Cir. 1994) (analyzing jurisdiction under both *Vanity Fair* and *Luft*). While *Vanity Fair* represents the Second Circuit's interpretation of this Court's decision in *Bulova*, *Luft* predates both *Bulova* and the Lanham Act. Moreover, this Court in *Bulova* expressly cited *Luft* when it made clear that passage of the Lanham Act was not meant to "constrict prior law or deprive courts of jurisdiction previously exercised." 344 U.S. at 287. Thus, neither the Lanham Act nor any case interpreting the Act (including *Bulova*) can be viewed as restricting the jurisdictional scope of *Luft*.

As a result, a court may enjoin a defendant's activities within the United States under *Luft* if (1) those activities result in infringing products being sold in a foreign country, (2) both parties are doing business in that country, and (3) the defendant has not established superior rights in that country to use the mark in question. *Luft*, 142 F.2d at 540; *Totalplan*, 14 F.3d at 831. The District Court's opinion is clearly defensible under *Luft*, and the Federal Circuit relied on *Luft* as a basis for affirming the lower court's exercise of jurisdiction. *Aerogroup*, 1998 WL 169251 at *3.

By failing to challenge the Federal Circuit's reliance on *Luft*, Marlboro has sought, in effect, an advisory opinion as to the applicability of *Vanity Fair* to this case. As a grant of certiorari under these circumstances could not possibly lead to a reversal of the court below, Aerogroup respectfully submits that Marlboro's Petition does not present an appropriate case or

controversy as required under Article III of the United States Constitution and therefore should be denied. *See, e.g., United States v. Evans*, 213 U.S. 297 (1909) (quashing writ of certiorari where resolution of the question presented could not affect the relations of the parties); *see also* Wright, Miller & Cooper, *Federal Practice and Procedure: Jurisdiction 2d*, § 3529.1 (1984).

## B. Marlboro Has Failed to Offer a Compelling Reason Why this Court Should Exercise its Discretion

Marlboro's Petition should also be denied because there is no compelling reason—and Marlboro has failed to offer any—why this Court should exercise its discretion to review this matter. Although Marlboro argues that the circuits have split in their interpretation of *Bulova*, (Pet. at 8-9); that *Bulova* and the Lanham Act require that the "effect on commerce" inquiry be limited to "trademark impairing effects," (Pet. at 9-16); and that the Federal Circuit did not properly follow *Bulova* and *Vanity Fair*, (Pet. at 16-19), these arguments are fatally flawed. Marlboro's attempt to rely on a "conflict" among the circuits is inapplicable; its desire to overrule 46 years of jurisprudence is unsupportable; and its belief that the Federal Circuit made an error of law is simply wrong.

### 1. There Is No Relevant Conflict Among the Circuits

Merely identifying a possible conflict among the circuits is not sufficient to invoke review by this Court. Unless the purported conflict is *relevant* to the outcome of the appeal, the issue does not present an appropriate case or controversy for judicial review. *See, e.g., Evans*, 213 U.S. 297 (quashing writ of certiorari where resolution of the question presented could not affect the relations of the parties); *see also* Wright, Miller & Cooper at § 3529.1.

Marlboro asks this Court to grant its Petition because the Ninth Circuit uses a test for "effect on commerce" under *Bulova* that is *less stringent* than the Second Circuit test on which the Federal Circuit relied when deciding the present case. *See* Pet. at 9. Given that the Federal Circuit affirmed the lower court's finding that Marlboro's activities had a "substantial effect" on United States commerce, *Aerogroup*, 1998 WL 169251 at *3, it is undeniable that Marlboro's activities had at least "*some effect*" on commerce, thus meeting the Ninth Circuit's test as well.

Accordingly, any attempt to resolve this purported "conflict" on the facts of this case would be meaningless. Even if this Court were ultimately to decide that the Ninth Circuit's less stringent standard was the proper test, that decision could not form the basis for reversing the decision below. Marlboro has simply failed to present an appropriate controversy for this Court to review.

**2. The Lanham Act Does Not Require the Effect on Commerce to Be "Trademark Impairing"**

Marlboro's most outlandish position is its belief that almost *every* court—both district and circuit—since 1952 has misapplied the Lanham Act and this Court's *Bulova* decision. Pet. at 9. Specifically, Marlboro argues that "lower courts . . . have almost uniformly failed to limit the effect on commerce inquiry to trademark impairing harm[,]" which, Marlboro suggests, are those harms likely to confuse U.S. consumers or to affect the trademark holder's reputation and goodwill in the United States. *Id.*

Marlboro's argument, in short, is that it is right and that everyone else has been wrong for the past 46 years. It is telling, however, that Marlboro fails to cite a single case in which a court has ignored a defendant's "substantial effect" on United

States commerce on the ground that such an effect did not take the form of a "trademark impairing" injury.[3] Indeed, Marlboro's attempt to rewrite the law overlooks the *reason why* no court has required that an infringer's effect on United States commerce comprise "trademark impairing" harm—the Lanham Act's requirement of "effect on commerce" is *jurisdictional*, not substantive.

While Congress lacks the power to regulate commerce in foreign countries, it does have the power to regulate commerce "*with* foreign Nations, and among the several States." U.S. Const. art. I, § 8, cl. 3 (emphasis added). This power has generally been interpreted to extend to all commerce—including intrastate and entirely foreign commerce—that has "a substantial effect on commerce between the states or between the United States and foreign countries." *Vanity Fair*, 234 F.2d at 641.

As this Court noted in *Bulova*, the "broadened commerce provisions of the Lanham Act" have a sweeping reach into "all commerce which may lawfully be regulated by Congress[.]" 344 U.S. at 287. Consequently, it is irrelevant whether an infringer's foreign activities have "trademark impairing effects" in this country; the only concern is whether an infringer's activities have a sufficient effect in this country to allow Congress and the courts to invoke the jurisdictional power of the Commerce Clause.

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[3] Marlboro's reliance on *Atlantic Richfield Co. v. Arco Globus Int'l Co.*, 47 U.S.P.Q.2d 1529 (2d Cir. 1998), is misplaced. *See* Pet. at 13. In that case, Atlantic Richfield *conceded* that Arco Globus' infringing activity did not have a substantial effect on U.S. commerce. 47 U.S.P.Q.2d at 1531. Any discussion of whether Arco Globus' activities confused U.S. consumers or lessened the value of Atlantic Richfield's marks in this country was solely in relation to whether the case was distinguishable from the "essential steps" recited in *Bulova*, which *did* have a substantial effect on U.S. commerce. *See id.* at 1532.

Further, the limitation Marlboro seeks to impose on the Lanham Act would require this Court to revisit its previous decision in *Bulova* and overrule many pre-*Bulova* cases —including *Luft*—in which there was no evidence that the defendant's infringing activities were "likel[y to] confus[e] . . . U.S. consumers [or] injur[e] . . .the reputation and goodwill of the trademark holder in the United States." Pet. at 9 (emphasis deleted). *See, e.g., Luft*, 142 F.2d at 539-40 (no evidence that goods shipped abroad reentered the United States and caused trademark harm). As *Bulova* ruled that passage of the Lanham Act did "not constrict prior law or deprive courts of jurisdiction previously exercised," 344 U.S. at 287, Marlboro effectively seeks to overturn that decision as well.

Contrary to Marlboro's belief that courts "have almost uniformly" been misapplying the Lanham Act and *Bulova*, it is Marlboro that is mistaken. No circuit requires that a defendant's "effect" on commerce must be "trademark impairing" before the Lanham Act will be applied extraterritorially. Indeed, this would require courts to determine substantive trademark liability in the United States before extraterritorial jurisdiction could be invoked—a truly unique jurisdictional approach. Marlboro's attempt to overturn 46 years of jurisprudence and read a new limitation into the Lanham Act—an attempt with the sole purpose of shielding Marlboro from liability for its intentional infringement of Aerogroup's registered trademark based on acts committed in the United States—should be rejected.

### 3. The Federal Circuit Did Not Commit Legal Error in its Analysis of Marlboro's Activities

#### a. The Federal Circuit Properly Stated and Applied Second Circuit Law and the Precedent of this Court

As demonstrated by the relevant case law, the extraterritorial exercise of jurisdiction under the Lanham Act is a highly fact-intensive matter. Marlboro, however, knows that this Court is hesitant to review cases where the asserted error consists of allegedly erroneous factual findings or the misapplication of a properly stated rule of law. *See* Sup. Ct. R. 10. Consequently, Marlboro has attempted to attribute "legal error" to the Federal Circuit's decision below. *See* Pet. at 16.

Perhaps not surprisingly, though, Marlboro never *identifies* the Federal Circuit's so-called "legal error." *See generally id.* at 16-24. For example, Marlboro does not challenge the Federal Circuit's recitation of the Second Circuit's *Vanity Fair* test, nor does it challenge the propriety of the Federal Circuit's review of the District Court's findings as to each *Vanity Fair* factor—*i.e.*, (1) substantial effect on United States commerce, (2) citizenship (which was not in dispute), and (3) conflict with defendant's foreign trademark rights—under the "clearly erroneous" standard. *See generally Aerogroup*, 1998 WL 169251 at *2-3; *see also Atlantic Richfield*, 47 U.S.P.Q.2d at 1531 (restating *Vanity Fair* factors).

Rather, Marlboro takes issue with the District Court's *findings of fact*—namely, the court's findings that Marlboro's activities had a substantial effect on United States commerce and that Marlboro did not possess any trademark rights under Canadian law (thereby precluding the possibility of any

conflict). These findings of fact were affirmed by the Federal Circuit and need not be reviewed by this Court:

> [T]he [district] court correctly found that Marlboro had not registered the AIR SUPPLY mark in Canada and that it could not piggyback its claim on Bata's application for that mark. Finally, relying in significant part on the location where Marlboro conducted its business, the court found the effect of Marlboro's Canadian sales to be substantial, though equivocal. Specifically, the court found that Marlboro solicited Canadian customers at shoe shows in the United States, its sales caused, in part, Aerogroup to lose its largest Canadian customer, that lost orders would have been larger but for Aerogroup's 'prompt action in filing this lawsuit,' but that much of the injury to Aerogroup's reputation was mitigated by its own knock-off sales. *Given these findings, which Marlboro has not shown to be clearly erroneous, the court's extraterritorial application of the Lanham Act using the* Vanity Fair Mills *analysis was proper*.

*Aerogroup*, 1998 WL 169251 at *3 (internal cites omitted; emphasis added).

Marlboro's subjective belief that *its* version of the facts precludes extraterritorial application of the Lanham Act does

not amount to a "compelling reason" justifying review.[4] Consequently, Marlboro's Petition should be denied.

**b. The Federal Circuit Correctly Affirmed the Lower Court's Extraterritorial Application of the Lanham Act**

Far from committing "legal error," the Federal Circuit properly cited and properly applied correct Second Circuit precedent in its decision below. The District Court's opinions contain ample evidence to support its factual findings that Marlboro's activities had a substantial effect on U.S. commerce and that Marlboro did not possess any trademark rights under Canadian law.

Indeed, Marlboro was hardly an "innocent abroad" when it designed its infringing logo and arranged for shoes bearing that logo to be manufactured in China and shipped to Canada. As the District Court found, Marlboro *intentionally copied* Aerogroup's registered trademark in an attempt to increase its sales to U.S. and Canadian customers, *Aerogroup*, 1996 WL 929597 at *8, *20, and Marlboro's campaign to produce an

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[4] Marlboro's suggestion that the Federal Circuit somehow committed legal error because Marlboro believes that the court's opinion "cannot be reconciled" with the Second Circuit's recent decision in *Atlantic Richfield* is without merit. *See* Pet. at 16-18. In *Atlantic Richfield*, the Second Circuit applied *Vanity Fair* and *Bulova* to a situation where the plaintiff *conceded* that defendant's activities did not have a "substantial effect" on United States commerce, such as diversion of plaintiff's foreign sales or damage to its reputation abroad. 47 U.S.P.Q.2d at 1531; *see, e.g., Warnaco Inc. v. VF Corp.*, 844 F. Supp. 940, 951-52 (S.D.N.Y. 1994) (diversion of foreign sales); *King v. Allied Vision, Ltd.*, 807 F. Supp. 300, 307 (S.D.N.Y.) (damage to reputation), *aff'd in part and rev'd in part on other grounds*, 976 F.2d 824 (2d Cir. 1992). The facts of *Atlantic Richfield* do not change the Federal Circuit's correct application of the same law to the different circumstances of the present case.

infringing product for the Canadian market was directed and facilitated almost *exclusively* from the United States. *Aerogroup*, 955 F. Supp. at 229-230.

For example, Marlboro designed its infringing logo in the United States, caused infringing material to be shipped into the United States, and displayed infringing product to prospective Canadian customers and solicited sales from Canadian retailers at a United States shoe show. *See id.* at 223, 229-230; *Aerogroup*, 1996 WL 929597 at *8. Marlboro used its infringing labels and boxes in an attempt to "draw attention to how close its knock-offs were to . . . original Aerosoles." *Aerogroup*, 1996 WL 929597 at *8, and solicited sales from Canadian customers by praising the ability of its infringing shoes "to confuse customers." *Aerogroup*, 955 F. Supp. at 230. Indeed, the District Court's opinion is replete with Marlboro's U.S.-based infringement activities that were directed to Marlboro's U.S. and Canadian customers alike.

On the basis of this evidence, the Federal Circuit concluded that the lower court's finding of fact that Marlboro's activities had a "substantial effect" on U.S. commerce was not clearly erroneous. *Aerogroup*, 1998 WL 169251 at *3. Moreover, the Court of Appeals also affirmed the lower court's findings of fact that a Canadian trademark application owned by one of Marlboro's customers for "AIR SUPPLY" in block-letters did not give Marlboro any rights to use its highly-stylized, infringing "Air Supply" logo, and that the existence of such an application did not preclude extraterritorial application of the Lanham Act as to Marlboro.

Given its conclusion that the lower court's findings of fact under *Vanity Fair* factors were proper, the Federal Circuit ultimately affirmed the District Court's legal conclusion that the Lanham Act could be used to enjoin Marlboro's infringing

activities. *Id.* (relying on *Vanity Fair*).[5] The decisions of the lower courts that the Lanham Act could be applied extraterritorially to cover Marlboro's sales of infringing product to Canadian retailers were firmly grounded in the relevant law and should not be disturbed just because Marlboro wishes to reargue facts.

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[5] Moreover, given the Federal Circuit's conclusion that Marlboro had not established trademark rights to use its infringing logo in Canada—and Marlboro certainly had not established *superior* rights vis-a-vie Aerogroup's Canadian trademark rights, which date back to 1991, *see Aerogroup*, 955 F. Supp. at 223—the court also correctly concluded that the District Court could properly exercise jurisdiction in accordance with the Second Circuit's teachings in *Luft*. *Aerogroup*, 1998 WL 169251 at *3.

## CONCLUSION

When all of its rhetoric is stripped away, Marlboro's Petition is exposed as an abject failure. Not only did Marlboro ignore one of the alternate grounds on which the United States Court of Appeals for the Federal Circuit affirmed the lower court's decision, Marlboro's "legal" arguments fail to present a compelling reason why this Court should exercise its discretion to review this matter. Aerogroup respectfully submits that Marlboro's Petition for Writ of Certiorari is not a worthy candidate for this Court's review and therefore should be denied.

Respectfully submitted,

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